The Fall in Prices of Commodities

WITH SPECIAL REFERENCE TO

TRADE DEPRESSION AND BIMETALLISM

AN ADDRESS

BY

Sir Wm. H. HOULDSWORTH, Bart., M.P.

(British Delegate to the International Monetary Conference, Brussels; Member of the Royal Commission on the Depression of Trade; Member of the Royal Commission on Gold and Silver),

TO

THE BRADFORD CHAMBER OF COMMERCE,

NOVEMBER 19TH, 1894.

E. P. ARNOLD-FORSTER, Esq., President, in the Chair.

BEING A REPLY TO THE RIGHT HON. G. J. SHAW-LEFEVRE, M.P

London:
EFFINGHAM WILSON & CO., ROYAL EXCHANGE

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MR. PRESIDENT,

IN discharging the task you have asked me to undertake, of replying to an address which was delivered to this Chamber a few weeks ago on

"*The Fall in Prices of Commodities with special reference to Trade Depression and Bi-metallism*,"

I find I have so much ground to travel over that I shall, with your permission, dispense with any unnecessary formal introduction of a general character. I proceed at once to discuss seriatim the various topics which Mr. Shaw-Lefevre introduced for your consideration in the course of that address. The only observation I will allow myself to make is this—that I recognise nothing in his speech but a fair argumentative statement of the conclusions which he has honestly arrived at from his point of view—and though I hold those conclusions to be unsound and the arguments by which they are supported to be faulty, I enter upon their refutation with the most sincere respect for my opponent—and with a hope that further study of this question (which we know to be a difficult and complex one, requiring much patient and continuous thought, and upon which inflexible dogmatism is out of place), will lead him (as it has led many other eminent and experienced men), to modify his present opinions.

The different branches of the subject may be conveniently arranged under the following heads:

I.—The Cause of the Fall of Prices.

II.—The Effects of the Fall upon this country as a whole, and upon certain classes.

III.—The Consequences which would follow the adoption of International Bi-metallism.

I.—The Cause of the Fall of Prices.

Of the *fact* Mr. Shaw-Lefevre has no doubt, and I accept without demur the figures which he put before you. He practically adopts Mr. Sanerbeck's Index Nos. as a fair estimate of the extent of the fall, and where he introduces other facts,—such as the maintenance or even the enhancement of the prices of some commodities, such as coal, coffee, and some other articles—I do not stop to dispute them. For evidently, in his opinion, as well as in mine, they do not invalidate the great central truth that the *general level of prices* —that is *the average* of the prices of commodities—during the last twenty years has fallen. *How much* it has fallen may within certain limits be an open question. But that the general average level has fallen, no one who has examined the question, or who has followed the examinations of others, can possibly doubt.

As some people, however, have a difficulty in reconciling the operation of a general cause, such as the *comparative* scarcity of money, with the fact that the fall in prices has not been uniform, so that while some prices have fallen, others have risen, I may say at once (though I may have to refer to it again when I deal with wages), that there is no real difficulty in the matter at all. A general force may be acting strongly and continuously in a certain direction, and yet other subsidiary forces may be at work at the same time, modifying and even neutralising the natural results which might be expected. But this does not constitute a valid argument for denying the existence of the general law altogether, if on other grounds there is good evidence for it. We all believe in the law of gravitation, and yet we do find that kites and balloons (and even flying machines, I am told) are able to resist that law to a certain extent in virtue of other forces acting upon them at the same time in an opposite direction. What we say about prices which have risen in opposition to the dragging down force of an appreciating currency is — that if it had not been for that appreciation, the prices of these articles would have risen still higher. The fact that they have risen while others (the great majority) have fallen is no argument of itself against the general principle for which we are contending if on other grounds we can prove it to be true.

I proceed now to deal with Mr Shaw-Lefevre's main argument. He *denies* that the fall of prices is *due to the* Appreciation of Money, owing to its greater scarcity, and *affirms* that it *is* due to the Depreciation of Commodities owing to their greater abundance. But the fact is, this way of stating the case is not only unscientific but absurd, and manifests confusion of thought. It is impossible to separate Appreciation of Money and Depreciation of Commodities from one another in this fashion. They are really the same thing—viewed from different sides—expressed in different ways. As has been aptly said, they are like the two blades of a pair of scissors. Who can decide which does the cutting?

Appreciation and Depreciation are *relative* not *positive* terms. They express a relation. If one thing is *higher* than another, then the latter must be *lower* than the former. And when they are connected together (as money and commodities are, whenever one speaks of price), if the one goes up, the other must go down, like the two ends of a pair of scales. When therefore Mr. Shaw-Lefevre speaks of the large increase of commodities which have been placed in one scale and borne it down, he states a fact—but this fact is only half of the whole truth. The other half is the want of a counterbalancing *increase* in the quantity of money in the other scale, if the old level of prices is to be maintained. It is *just because* there has been a great increase of commodities during the last twenty years that a corresponding increase of money is required if prices are not to fall, and it is *just because* that corresponding quantity of money has not been forthcoming that prices have fallen. *This is really the most important point in all this controversy*. It is at the root of all the difficulty which people feel in understanding the Currency Question. It is at once admitted by every one, and clearly apprehended by all, that if commodities increase in quantity the prices of commodities will go down. But why do they go down? People never think of that. It is not, as is often loosely imagined, because people do not want more of these commodities. Who is there who would not buy more things of some sort or other if he had the money to buy them with? The real and only reason why the prices of commodities go down when there is an increased supply of them is that, unless there is at the same time an increased quantity of money offering against them (which is popularly called demand)—the *proportion*—the *ratio* between money on the one side and commodities on the other is disturbed. Money becomes *more valuable* in relation to commodities, because it is scarcer in proportion—just as certainly as commodities on the other hand become *less valuable* in relation to money, because they are proportionately more abundant. You cannot have the one effect on the one side, without having the other effect on the other side. But people persist in only looking at one side, and ignore the other. So they think and talk of depreciation in the money value of commodities and property and other things, without recognising that this is only another name for the appreciation of money relatively to these things. The one is the other, and they cannot be separated.

So you see Mr. Shaw-Lefevre and I are not really so far apart from one another after all, if he would only see and admit it. When I speak of the scarcity of money (that is the *comparative* scarcity of Money relatively to the great increase of Commodities), and when he speaks of the great increase of Commodities (relatively to Money) we are really speaking about the same thing, and he does not seem to know it! He discoursed to you on the *Depreciation of Commodities*. I came to you to speak of the *Appreciation of Money*. These are not two things. They are only two aspects of the same thing. But he regards them as *two separate* things, and there is his mistake.

In fact, in one part of his address he almost sees his mistake, and gives himself away. For he says: "For my "own part after studying the Report and evidence of the "Commission, I was of opinion that a *certain small appre-* "*ciation* of gold had taken place, but not by any means to "the extent reported by the Bi-metallists, and that this appre- "ciation might account for *some part of the fall of* "*prices*."

But the appreciation of money by itself does not *account* for any part of the fall in prices. It is *another name* for the fall—and for the whole of the fall. No doubt this admission was intended by the Right Hon. Gentleman to be concession to the Bi-metallists. But it only shows, that he has not yet realised what the term "appreciation of money" really means. He looks upon it as some agency outside the fall of prices—that may or may not act upon that fall, whereas it is only another aspect of a fall of prices, viewed from the side of Money instead of from the side of Commodities. To talk of appreciation of money *accounting* for *some part* of the fall of prices, is like talking of the rise of one end of a see-saw accounting for *some part* of the fall of the other end. It must either account for it altogether or not at all.

Money obeys the same laws precisely as Commodities. If Money *increases* in quantity—other things remaining the same—Money becomes *less valuable*, just, in the same way as Commodities become *less valuable* if they *increase*—other things remaining the same. Or, if Money *decreases* in quantity—other things remaining the same—Money becomes *more valuable* just as Commodities do under the same circumstances. Finally, if Commodities *increase* in *quantity*, and Money *increases* too, but *not to the same extent* as commodities then, *pro tanto*, commodities become less valuable, and money becomes more valuable.

I have not time to quote many authorities on this point, but I may say, generally, that I do not think Mr. Shaw-Lefevre can produce any recognised Economist who will seriously contest the view I have ventured to put forward. I am merely giving you what is to be found in various forms in every text book on Money. The "Statist" (which I may mention, if you do not know it, is by no means a Bi-metallic organ, as it generally writes against us rather than for us), in an article headed "Mr. Shaw-Lefevre on the Fall in Prices," says, "Has Mr. "Lefevre ever seriously asked himself the meaning of the "word 'appreciation?' If he has, does he think that "the Bi-metallist agitation will be silenced by an *illogical* "*contention?*"

This is strong language from the "Statist." But as my object is to place what I believe to be sound arguments before you, rather than to confound an opponent, I should like to quote a sentence or two from Dr. Giffen's writings on the point I am discussing.

Again you will notice I call a "Monometallist" to my aid

Dr. Giffen says:—

"There is much assertion in some quarters that there is "no appreciation of gold, but the assertion is made by those "who attach a meaning, or think they attach a meaning, to "the words which I confess I am unable to make out and "express in my own language—and there can at any rate be "no doubt that, as the phrase is here limited and defined, "we have for some years been in the presence of the "phenomenon known as appreciation of money. * * * "When prices change from high to low, or from low to high, "there must be in the former case contraction, and in the "latter expansion of money. Absolutely, there may or may "not be less or more money at the latter date, compared, "than at the starting; the absolute amounts being dependent "on many causes, such as change in people's habits, and the "like; but, relatively, there must always be contraction or "expansion."

Let me also quote one paragraph from the Separate Report of the Monometallist Members of the Royal Commission.

"There can be no question that the gold price of many, "and probably of most commodities, has fallen during the "last fifteen years. In relation to these commodities it may, "no doubt without inaccuracy, be said that gold has "appreciated That is another mode of expressing the fact "that the price is lower.'

But I might go further than this. Dr. Giffen, in his famous paper on "Recent Changes in Prices and Incomes compared," practically describes Mr. Shaw-Lefevre's attitude thus: "The question arises," he says, "whether those who insist so much on the increasing abundance of commodities as excluding any idea of the contraction of gold are not really attempting the impossible, viz., to measure two variables, one against the other, without a third common measure by which to try them."

He then refers to an important fact which is often lost sight of in these discussions, viz., that from 1850 to 1860, and even on to 1870, commodities increased in quantity quite as much as, if not more, than they have done since 1873. And *yet prices rose!* Why? Here is Dr. Giffen's explanation. "To put the matter into more popular "language, we might perhaps say that the stationary, or "rather rising, prices of commodities between 1850 and "1873, although commodities were increasing as much "as they have done since 1873, were maintained by "*continual additions* to the *stock and efficiency* of *money*. "Since 1873 the movement of additions to the stock, which "was a very pronounced one, has been arrested, if there has "not been an actual withdrawal from, or diminution of, "stock uncompensated by an increase in the efficiency of "money. Consequently the fall of prices is explained by "the check to the previous movement" (that is the movement of additions to the stock of money between 1850 and 1860).

He then boldly sums up the whole case thus: "About "1873 there was an *alteration*, but according to the best "observations, the movement in commodities continued what "it had been, the quantity increasing at as great a rate as in "the period just before, *but not at a greater rate*. The infer-"ence seems conclusive, therefore, that after 1873 the "alteration in the economic movement was *in money*, and "to this must be ascribed the change of prices which has "occurred."

The effect of these quotations from Dr. Giffen, is to show that in his opinion, (and, I presume, Mr Shaw-Lefevre will acknowledge him as an authority of some weight) the attempt to prove that there has been no appreciation of money, by simple reference to the increase of commodities, is absurd on the face of it to any one who understands the scientific, and real meaning of the term "appreciation" at all. And further, that if by other data and other comparisons the attempt is made to decide whether the recent fall in prices is due to an alteration in the movement of money or of commodities, the conclusion must be that the alteration is to be found in the economic movement of money rather than in any change in the economic movement of commodities. This is deduced from the fact which statisticians can prove, viz., that while the quantity of commodities has *not* increased at a *greater rate* from 1873 to 1894 than it did from 1850 to 1873, there has been an arrest in the additions to the stock of money if even not an actual withdrawal from the stock in active circulation. This leads Dr. Giffen to say: "We can say positively that the recent change from a high to a low level of prices is due to a change in money of the nature, or in the direction of actual contraction."

In comparison with this strong and unqualified conclusion arrived at after careful examination and consideration by one who is accepted by Monometallists as their greatest authority, you have before you the light-hearted, amateur opinion of the right hon. gentleman the Member for Bradford, that "there is ample explanation of the fall in prices in the "immediate causes of increased production without going "into the realms of *theory* and *uncertainty* to find an "explanation in the *scarcity of gold.*"

Gentlemen, it is for you to decide for yourselves which of these authorities you will believe, and which of these opinions you will adopt.

But you will ask me, How is this growing divergence in the relative quantities of commodities and money to be remedied so that the fall in prices may be arrested? Of course I am assuming for the moment that the fall is an evil, and that it is desirable, if possible, to arrest it. I know Mr Lefevre does not so regard it, and I will deal with that part of the subject presently. But assuming that we do want to prevent, if possible, a further fall of prices, what is the remedy? There are only two ways of restoring a stable relation between commodities and money. You must *either* diminish the quantity of commodities, *or* increase the quantity of money. Does Mr. Shaw-Lefevre propose the first of these remedies? If he does, I cannot agree with him, for as a friend of mine has neatly put it: "Bi-metallists think it preferable "to maintain prices, or in other words, to maintain "stability in the standard of value by increasing the "supply of money by some means than by decreasing the "supply of commodities by any means." There remains, therefore, only the other remedy, and that is the one the Bi-metallists advocate, viz., to increase the quantity of money.

I must now notice an argument which Mr Shaw-Lefevre uses for the purpose of proving that the quantity of money has nothing to do with prices. He records the increased production of gold during the last six years, and estimates it at £33,000,000 more than in the preceding six years. He then says, "In spite of this increased production of gold, "prices of the standard articles have again fallen in the last "three years." Then, with an air of great triumph, he exclaims, "This appears to strike a blow at the whole theory "of the close connection between the production and the "supply of gold, and the prices in gold of other articles, and "to show that prices may fall while the production of gold "is being largely increased."

But here again Mr Shaw-Lefevre's grasp of economic principles seems to me to be weak. It might almost be sufficient to say in reply—(what I believe to be the truth)—that in all probability, the increased production of gold, even though it may have been £33,000,000 in six years, has not been *sufficient increase* to counterbalance the increase of population, of commodities, and of other demands upon it, so as to maintain prices even if the whole of it had come into active circulation. But as a matter of fact, nearly the whole—if not the whole and more—of this increased supply, appears to have been absorbed in hoards of various kinds, in national war chests, in private hoards, and in bank reserves, and so not come into active circulation at all. Professor Scharling, Professor of Political Economy and Member of the International Statistical Institute at Copenhagen, lately wrote to the "Economist" a letter, in which he stated that Russia alone had, "in the years 1892 to 1894, augmented "the mass of gold in the Bank and the Treasury by more "than £33,000,000," while in the same period, Austria Hungary had taken £18,000,000 to carry out her monetary reform. I do not know if these figures be correct or not, I do not vouch for them. But we *do* know that a gold mania has seized the Governments of Europe — and that they are accumulating and hoarding as much gold as they can lay their hands on. We *do* know that the Banks of Europe hold increased amounts of gold which is as useless and as ineffective upon prices as if it had never come from the mines at all. It is not drawn upon because trade is unprofitable, and because few will risk their capital in new industrial undertakings, or commercial enterprises of any kind. Under these circumstances, what is the use of Mr Shaw Lefevre parading the *increased production* of the last six years, as if it had all gone into active circulation, when we know it has not? Indeed, Mr Lefevre himself tells you that "gold has been accumulating in enormous "quantities in the banks of Europe, drawn apparently from "all parts of the world, and the quantity of gold in the five "principal Banks of Europe has increased within the last "year by no less than £34,000,000, and yet, in spite of this abundance of gold, prices continue to fall!" Of course, the *production* of gold from the mines will have no effect upon prices, when (as Mr Shaw Lefevre himself tells you) it is locked up in Treasuries and Banks as soon as it reaches the surface. It is just because it has been so locked up owing to the gold scare which has come over Europe, and the unprofitable state of trade, and never entered into active circulation at all, that the increased production has had no effect upon prices. But when Mr Shaw Lefevre proceeds to build on that foundation the astounding conclusion that there is no connection at all between the quantity of money and prices—he is grossly misleading you—for, as John Stuart Mill has said, "That an increase of the quantity of "money raises prices, and a diminution lowers them, is the "most elementary proposition in the theory of currency, and "without it, we should have no key to any of the others."

There is another argument against the appreciation of gold I find in Mr. Shaw Lefevre's address, which is so plausible, that it very likely may have taken you in. It is this—that *wages* have not fallen so much as *commodities*. Indeed, Mr. Shaw Lefevre says wages have risen; not only real wages, but money wages. "This rise of money wages" (he says) "and the "still greater rise of actual wages in purchasing power seem "to me to be totally inconsistent with the fundamental "proposition of the Bimetallist that gold has appreciated in "value." Now, in the first place, I very much doubt the correctness of Mr. Lefevre's facts if he means that the total earnings of the working classes have increased. For one thing, he takes no account at all of decreased and irregular employment. So far back as 1886, the Royal Commission on the Depression of Trade reported that there was "diminution of employment for the labouring classes"; and coming down to later years, I find from the returns of the Labour Correspondent of the Board of Trade that the percentage of members out of work in those limited number of Trade Unions which send in returns to this Department, and which Unions do not represent the most unemployed classes, rose from 1·70 per cent. in 1890 to 10·20 per cent. in 1893. The Economist newspapers, in its review of 1893, stated, after an examination of the consumption of dutiable articles, (the figures for which it gave), that "owing to reductions in "wages, want of full employment, even for willing workers, "and the voluntary idleness sometimes for protracted periods "of those who took part in the numerous strikes, there was "in 1893 a distinct curtailment of the spending power of the "people." But I am not going to quarrel about figures. Even if Mr. Lefevre's facts were quite correct, his argument is superficial and faulty. I am at a loss to understand what authority there is for Mr. Lefevre's statement that "both "parties to the controversy in the Royal Commission "*admitted* that if gold had appreciated, wages would be "affected equally with commodities, and that wages would "fall in a corresponding ratio." Wages are never affected simultaneously and proportionately along with the prices of commodities. Labour is not bought and sold in a wholesale market day by day as commodities are. Wages are ultimately regulated by the *demand* for and the *supply* of labour. But the demand for labour is not regulated by daily transactions in a labour market, in which the prices daily rise and fall, as in the case of commodities. The industries of the country do not stop immediately prices go down. In fact, they often carry on, under such circumstances, more vigorously than ever in order to increase production and reduce cost. Except so far, therefore, as lower prices and unprofitable trade tend to discourage fresh industries and new enterprises which might give work to the increasing population, there is nothing in the contraction of money which can forcibly reduce wages, until the time arrives, as it must ultimately do, if the depression continues long enough, when mills and works are closed, and the work-people are absolutely discharged and thrown upon the streets. Moreover, as Labour becomes more efficient through improvements and inventions and economies, labour demands and is able to obtain a greater share of the results of that greater efficiency, so that while capital gets less, labour gets more of the total return. This is only one of the natural results of higher and more extended civilization.

But this progress in the march of labour has nothing whatever to do with the appreciation of money and the fall of prices. It would proceed whether prices were high or low, whether trade was good or bad. If trade were good and profitable to the capitalist the advance of labour to a comparative higher position of material and social advantage would proceed more rapidly. If trade be bad, and the aggregate returns of industry low, it proceeds more slowly. But nothing can absolutely arrest it, except a collapse of industry altogether. *Then*—(and I am not sure that we are not within measurable distance of such a catastrophe, if no change takes place—certainly we are rapidly tending in that direction)—*then* labour will be absolutely driven to take its share in the disastrous consequences of falling prices, and wages may—probably will—make up for lost time by coming down with a run.

I cannot develope this wage aspect of the question as fully as I should have liked owing to want of time. All I can say is that, as far as I can judge, the working classes themselves do not take that optimist view of their condition and prospects which Mr. Shaw-Lefevre delighted you with. What I have to point out to you is this—that whether wages are higher or lower, they prove absolutely nothing as to the appreciation or non-appreciation of gold. If they do not participate in the general fall at once, it is because other forces are at work resisting the action of the general movement. Wages are always the *last* to fall, and in former days —though it is scarcely so true now—they were always the *last* to rise. Ultimately, however, in the long run—after a considerable lapse of time, and after many other intermediate links in the chain have been snapped—wages must and will feel the effect of the contraction and consequent appreciation of money. But that time has not yet come. Still, prolonged and serious strikes which have unfortunately occurred in some of our great industries (and I may ask in passing, has Mr. Shaw-Lefevre calculated the losses sustained by the working classes during these strikes when he states so confidently that wages have risen and that the wage earners were never better off?)—these prolonged and serious labour contests against a reduction of wages are the first rumblings of the storm which threatens industry in this and other countries.

Up to now the workers in our great industries have been to a great extent shielded from bad weather by the capitalists who have stood before them and borne the brunt of the blast. If it gets worse the capitalists may gradually disappear. But at all events any immunity from loss which the working classes may have up to now enjoyed is no proof, as Mr Lefevre seems to imagine, that there has not been a contraction of money. As the "Statist," in a very able article on Mr Shaw-Lefevre's address, shows, the question of wages has no bearing whatever on the contention of Bi-metallists (a contention sustained, let me remind you, by many authorities on economics who are not Bi-metalists), viz., that a contraction of money relatively to commodities has taken place, and that this contraction is the real cause of the fall in prices.

II.—"The effect of a Fall of Prices upon this Country as a whole and upon certain classes."

Here I come upon a most extraordinary argument used by Mr. Shaw-Lefevre in his address. It is to be found in that division of the report of his speech which appears in the *Bradford Observer*, headed—"England the Creditor of the whole World."—The argument is this:—"England as a "whole is the creditor of all the world to the extent probably "of over £1500 millions (sterling) payable in gold." If gold prices fall—"The interest on the debts" (and he might have added the principal), "will have to be paid, *in a greater quantity of produce of all kinds.*" Then follows a remarkable statement:—"But while we *gain*, other countries as a whole do not necessarily *lose*!" There is a conjuring trick for you! and as in the case of other conjuring tricks, no doubt you would like to know "how it is done?" I will show you. He assumes as usual that the fall of prices is due to increased production in other countries or to diminished cost. I will take his argument on his own ground presently, but first I want to show you that though he asserts he does not believe in the appreciation of gold, he *does believe in it after all*—and more than this—thinks it a very good thing! He says:—If gold prices fall, the debtors in other countries will have to pay their creditors here, "a greater quantity of produce of all kinds," in order to pay the interest accruing on their debt, and of course also to repay the principal when that becomes due. By this England "gains."

Now if England "gains" because the debts due to her are Gold debts—does not this prove that her *goud debt* has become *more valuable?* What is this but an appreciation of gold, in the clearest possible form? It is useless for Mr. Lefevre any longer to argue against our contention, when he himself has furnished one of the most convincing demonstrations of its truth.

But he says, though it is true that England gains by her gold debt becoming more valuable, *that* is of no consequence to the debtors, because they are either producing more commodities, or producing the same quantity at less cost than formerly. So the debtors sustain no loss though the creditors gain.

But is this so?

Let us consider first the case of "Increased Production." Does Mr. Shaw-Lefevre suppose that there can be increased production without increased labour? Even in the case where the increase arises from the beneficence of Providence in the form of abundant harvests; is there no increased labour required, and no increase of cost involved in reaping the larger harvest—in packing the increased quantity for market—and in conveying it across the sea? In the case of increased acreage of cultivation the increased expenditure of labour and of capital is apparent.

Does this represent no loss to the debtors? And does not this loss arise from the fact that their debt to England has become heavier, not from any action of theirs, but solely because gold has risen in value? Shylock was a merciful man compared with the Right Hon. Gentleman, for Shylock only demanded his pound of flesh, but the Right Hon. Gentleman demands *two* pounds, and then coolly asserts there is no additional loss to anyone. Besides—is the creditor to take all the advantage of the increased gifts of Providence when they come in the form of more abundant harvests and is the poor debtor to have no share at all in them, but be satisfied with the assurance that though paying more he does not lose?

This is also the answer to the second suggestion viz.: that, if by economies in production or carriage, two blades of grass can be made to grow, and can be sent to England at the same cost as it took to send one before, the debtor nations are no worse off. Here again I would ask, are all the advantages of the inventions and improvements of this nineteenth century to go to the enrichment of the inactive gold creditors—whether they be individuals or nations—and no part to go to the toilers or workers, simply because they happen to have contracted debts which are mounting up every year to an ever increasing amount, by the silent appreciation of gold.

I do not know what you think of an argument against a reform of our currency system such as the one addressed to you on the ground of England being a creditor nation, but I venture to say that one more crude in its conception, more untenable in its logic, or more reprehensible in its morality, I do not remember to have seen seriously put forward before.

I pass now to a more commercial and industrial view of the effects of a Fall of Prices upon this country as it bears upon certain classes. This part of the question is thus described by the Right Hon. Gentleman: "There remains "the question whether this fall of prices, whatever its "causes, has been, or is, or will be detrimental to the "interests of the country as a whole, or the reverse."

He recognises, I notice, the "serious losses to farmers "and to land owners."—but these classes he does not consider of much importance. He also mentions incidentally that the profits in manufacturing industries have been lowered—but this only affects the capitalists who of course are of no account. He acknowledges that there has been a reduction in the number of labourers employed in agriculture (he puts it at 140,000), but "these "people," he says, "have found occupation in other "employments in the country." He admits that there has been much shrinkage in the value of capital invested "in trade," yet he adds, "there is abundance of capital "awaiting investment *in any trade where profits can be "made.*" This is no doubt true, but he does not indicate how many of such trades there are, or the per centage of profits likely to be earned. That there are many such trades, however, he seems to think certain, from "the great "increase in the aggregate profits of all trades and professions under Schedule D of the Income Tax Returns." This he appears to think is an unanswerable argument. But there is a good deal to be said before we accept the Income Tax Returns as proof positive of the growing prosperity of the country.

In the first place, if we take quinquennial periods from 1860 to 1893—we find that whereas in the first four periods of five years, that is up to 1879, the total assessments for Income Tax rose respectively in comparison with each preceding five years, by 10 per cent, 20 per cent, 17 per cent, and 17 per cent.; in the succeeding five year periods, viz, from 1879 to 1893, the growth was only 4½ per cent, 5½ per cent, and 10 per cent respectively.

But again, if you compare the assessments *per head* of *population*, which Dr Giffen suggests is the proper way of ascertaining whether the national income is increasing or diminishing, we find the average assessment per head of population in quinquennial periods to be as follows:—

	Average Assessment per Head.
	£
1865-69	14
1870-74	15.6
1875-79	17.4
1880-84	17.2
1885-89	17.3
1890-93	18.3

So that for 15 years, from 1875 to 1889, the income of the nation has been absolutely stationary per head of population, and only in the last four years has it slightly risen.

Now in coming to any conclusions as to how far these statistics show that no positive decline in the profits of the Industrial Producing Classes has taken place, several facts have to be considered. First, there is that remarkable statement made by Mr. Goschen in the House of Commons, a few years back, when he was Chancellor of the Exchequer, that taking all the *producers* together, their profits, only amount to half the profits of the middlemen, engaged simply in the work of distribution and transport. Now, it is notorious that the profits of these middlemen have increased enormously of late years. Then there are the professional classes whose fees do not necessarily fall (as we know to our cost) with a fall in the the prices of Commodities. These profits must be very considerable. Mr. Goschen stated that the profits returned by the medical profession exceeded those of the whole of the cotton industry, and the profits of the lawyers exceeded those of all the coalowners put together. Then I notice in these returns that the assessments under Schedule E of the salaries in "Public offices, and pensions paid out of the Public Revenue "and salaries of employés of Corporate Bodies" have risen from £32,000,000 in 1879 to £52,000,000 in 1893—that is £20,000,000 in 15 years. Now all these classes, it must be remembered—middlemen, professional men, and public servants—useful as they are, make no absolute contribution of new wealth to the nation. They derive their incomes from the producing classes. Moreover, I find that in Schedule D, the profits from Railways *out of* the United Kingdom are included, and these alone have risen from £2,000,000 in 1879 to £8,000,000 in 1893, indicating what a considerable amount of the increase in the Income Tax Assessments is derived from investments of various kinds abroad, and which do not represent any growth in the producing power, or in the profits of this country. Yet with all these extraneous additions, the total Income Tax Assessments are stationary per head of population. But again, if we take the Total of the Exchequer Receipts, embracing the receipts from Customs as well as from Income Tax, we find they are steadily declining. If the Income Tax last year had remained at 6d instead of being raised to 7d, the following would have been the figures for the last three years:—

Exchequer Receipts from Taxes—

1891-92 - - - - -	£75,340,000
1892-93 - - - - -	74,840,000
1893-94 - - - - -	73,257,000

Such is "the deadening and benumbing influence," as Mr. Balfour described it, of a fall in prices.

But take another point, Mr. Shaw-Lefevre believes that the average condition of the labouring population, which forms, as he says, three-fourths of the whole, is better now than it was before 1870. I do not doubt it. It would be a great reflection on the progress of civilization if it were not so. But upon this, two questions arise, which Mr. Shaw-Lefevre has not answered. The first is—is he quite sure that this improvement in the condition of the working classes will continue if prices continue to fall. The second is, would not the improvement, both material and social have been greater, if the level of prices had not fallen? Serious losses of various kinds, sustained by various classes of the community are admitted. Would not the country have been richer but for these losses? Would not trade and industry have been more active—would not greater developments of all kinds have taken place both at Home and in India and our Colonies? In one word, would we not have been better off, and would not all classes of the Community have benefitted by the greater increase of wealth, and the greater abundance of all things, if our exertions instead of being paralysed by the increased burden of indebtedness to the gold men, had been allowed free play and healthy encouragement?

It is not cheapness (as the Right Hon. Gentleman seems to think) that makes the labouring classes happy and the country prosperous, but abundance. The two things are not the same. Cobden pointed out this most strongly during the Free Trade agitation.

It is "sheer prejudice," he said on one occasion in the

House of Commons to say, that, "as Free Traders we mean lower prices for everything. What we want is abundance. We do not say that Free Trade necessarily brings low prices. It is possible with increased quantities still to advance prices. For it is possible that the country may be so prosperous under Free Trade that whilst you have a greater quantity of everything than you had before—increased demand in consequence of increased prosperity may arise, so that the demand will be greater than the supply."

The real evil of a continuous fall of prices, such as we have been experiencing and which is still progressing, is that by increasing the burden of debt, and continually depreciating to a lower and a lower point the values of property and stocks of all kinds, and by increasing the cost of production, it discourages enterprise and industrial activity, and ultimately paralyses it. The consequence is that the healthy development of the world's resources and the world's wealth, upon which the happiness and welfare of the human race so much depends, is being gradually but most certainly retarded. Mr. Sanerbeck's Index No. for the month of October is again lower than that of the preceding month—the fall since the beginning of the year being over 8 per cent., viz: from 67 to 61·7, showing a total fall from the average prices of 1867-77—which are taken as 100—of more than 38 per cent.

III.—Consequences of the adoption of International Bi-metallism.

I have left myself no time to speak on this last head of the subject. It might more properly form the topic of a separate address.

I must content myself therefore, on this occasion, with only one or two comments upon some objections to the system of International Bi-metallism which Mr Shaw-Lefevre suggests rather than demonstrates. I observe he is of opinion that the adoption of Bi-metallism—that is the use of silver, as full legal tender money at a par with gold, would raise prices. But in reply to a question put to him by Mr. Priestman, he said that he did not believe that an increased production of gold would have any effect upon prices at all —and his reason for this latter opinion appears to have been that "the quantity of gold was only part of a very much "larger quantity of currency—cheques and so forth—which "went to determine prices—and the increased or reduced "production of gold bore such a small proportion to that "form of currency that practically it did not affect it." Why silver money should raise prices, and gold money not raise them I do not understand. There seems some strange inconsistency here, which I cannot unravel. I am inclined to think, as often happens, that truth lies in the middle of these two contradictory opinions. I believe that additions to the supply of the money metal (whatever it is, whether silver or gold, or both), must tend to raise prices if it comes into active circulation, and it does so as much by developing credit and credit instruments, as by its own inherent power. But any addition of gold or silver, or both together, will be under ordinary circumstances comparatively gradual— because, as Mr. Lefevre says, it only forms after all a small proportion of the total stock of currency—including in that term the precious metals in existence and also Bank notes, paper money of all kinds, bills, cheques, and so forth. Again, so far as any effect is produced by additions to the metallic stock and to the increase of credit instruments in the direction of raising prices, whether it be great or small, another element comes into play which I do not think Mr. Lefevre has thought of, viz.:—a development of enterprise, and an increased production of commodities, which according to the principles laid down at the beginning of this address would tend in the other direction, and modify the extent of the rise of prices which would naturally result from an increase of money. I cannot therefore agree with Mr. Lefevre that increased supply of the precious metals would have no effect upon prices. But I do agree with him in thinking that the effect would not be very great. In support of this view we have the experience of the gold discoveries in 1850 to guide us. From 1850 to 1870 prices rose but neither very quickly nor very seriously, and so far from producing disaster that period was one of most satisfactory prosperity.

There is one other remark made by Mr. Shaw-Lefevre that I must advert to. He says the effect of a rise of prices "would be to tax wages in order to raise profits and rents." Was that the effect of the rise of prices from 1850 to 1870? I thought wages rose at that period quite as much as profits and rents. But here again Mr. Lefevre is most inconsistent. For, speaking of the depreciation of paper money in Argentina (and you will remember that a rise of prices is only another name for the depreciation of money, whether that money be paper, or silver or gold) he says "the wages of labour and "other charges must speedily adjust themselves to a depre- "ciation of currency." In other words, he says depreciation of money causes wages to rise. Indeed, he informs us that in the Buenos Ayres harbour works, "wages rise or fall "just in proportion as the paper money falls or rises in value." How can he say then that a depreciation of money here would tax wages in order to raise profits and rents.

The fact is, a rise of prices would benefit all who are engaged in production, whether they are landowners, capitalists, or wage earners. The only people who might suffer somewhat are the drones of society, the creditors— and even they would be infinitely more secure than they are if their debtors were doing well. They might even get a better rate of interest for their capital than they are able to obtain at present.

I have not touched on many points of interest which are suggested by the address which I have been considering. Particularly there is one large subject I have not referred to at all. But I cannot conclude without pointing out in one word that one of the most important consequences of the establishment by England and the other commercial nations of the world of International money on a Bi-metallic basis, would be that it would rid us once for all of the difficulties—both commercial and financial—which we are suffering under in our government of and our commercial relations with our great Dependency of India. The Indian import duties do not I believe directly affect Bradford. But you know enough of the action of hostile tariffs in the United States of America to comprehend what a reactionary and humiliating policy it is which this Free Trade country is driven to pursue, in regard to one part of the Empire, when it is compelled to impose duties on British manufactures going into India, simply and solely because we obstinately adhere to the maintenance of two separate standards of value.

We Bi-metallists are not opposed to a Gold Standard of value—on two conditions The first condition is—that it must be shown that the supply of gold will be sufficient to maintain something like a stable general level of prices, notwithstanding a continuous increase of commodities which it is most undesirable in the interests of humanity to discourage. The second condition is, that all the nations of the world must at once adopt that standard, so that international trade may thrive and grow without let or hindrance owing to the existence of different and ever-varying currencies. If these conditions can be complied with, there is no objection to a Gold Standard. But they cannot. No one pretends that there is likely to be sufficient gold produced to enable all nations to adopt the Gold Standard. On the other hand, one half of the world uses the Silver Standard, and prefers it. Under these circumstances, we advocate a Joint Standard which would practically give us all the benefits of a Monometallic Standard, aud do no real harm to any nation under the sun.

Believe me, we shall never have permanent prosperity at Home, or full development of our Colonies, or satisfactory financial relations with India, or Free Trade in other countries, till England consents to join the other Governments of Europe and America, in establishing one International Standard of Value throughout the world.

Dunlop & Drennan, Printers, "Standard" Office, Kilmarnock.